



County of Los Angeles
CHIEF ADMINISTRATIVE OFFICE

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DAVID E. JANSSEN
Chief Administrative Officer

March 31, 2004

To: Supervisor Don Knabe, Chairman
Supervisor Gloria Molina
Supervisor Yvonne Brathwaite Burke
Supervisor Zev Yaroslavsky
Supervisor Michael D. Antonovich

From: David E. Janssen
Chief Administrative Officer

Board of Supervisors
GLORIA MOLINA
First District

YVONNE BRATHWAITE BURKE
Second District

ZEV YAROSLAVSKY
Third District

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Fourth District

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Fifth District

SACRAMENTO UPDATE

Realignment Vehicle License Fee (VLF) Update

In our March 23, 2004 update we reported that the Administration had triggered a poison pill provision of the realignment statute in response to the loss of a lawsuit requiring the State to reimburse San Diego County for medically indigent care. The result has been much confusion and a disruption in the flow of VLF realignment funds to counties effective March 1, 2004. (Regular VLF funding is not affected.) Triggering the poison pill had the effect of repealing the depreciation schedule which is not only used to determine the VLF charge for a vehicle over time, but also is a source of funding to counties for realignment, primarily for mental health and health programs.

The Administration quickly reinstated the depreciation schedule using emergency rulemaking, but it does not believe it has the authority without legislation to distribute the money it continues to collect to counties. In addition, the emergency rule is only effective until June 29, 2004. Initially, counties were led to believe that only the one-third of the realignment funds from actual collections would be affected and that the backfill would continue to be paid. However, this is not the case. The \$22 million payment which the County received last week is for the period from February 15 to February 29 and represents roughly one half of what was due. Until a promised legislative fix is agreed to, counties will not receive VLF realignment funds which can vary between \$30 million and \$50 million a month for the County. While a legislative solution would seem to be easy to achieve, it has apparently run into resistance from Republicans who fear that reinstatement of the depreciation schedule could be viewed as a tax increase. Consequently, no action is likely before the Legislature takes its spring break this week.

The Local Taxpayers and Public Safety Protection Act

The Act, a jointly sponsored initiative by the California Association of Counties (CSAC) and the League of Cities to protect local revenue from State budget action, is currently being circulated for signatures. As of yesterday, 582,000 signatures have been collected. Approximately 600,000 *valid* signatures are required for a measure to qualify for the ballot, so sponsors usually try to submit around one million signatures to provide a margin of error. The official deadline for submission of signatures is April 16, 2004, after which the county registrars will have to validate them.

CalWORKs Grant Lawsuit

The State lost another important lawsuit last week in San Francisco Superior Court when a judge ruled that it must increase CalWORKs grants retroactively to October 1, 2003, to comply with a law requiring cost of living increases in grant levels whenever the State reduces the vehicle license fee. The 3.6 percent COLA, which would cost approximately \$120 million annually, has not been implemented pending an appeal by the State. Beyond the impact on the State budget, the case could have ramifications for a pending lawsuit which challenges the Governor's authority to reduce the VLF rate last October. In the CalWORKs case, the State argued that a COLA was not required because the Governor had not actually reduced the VLF, only set aside an invalid action by the previous Governor. The judge apparently thought otherwise.

State Budget Worsens

The Department of Finance has asked state agencies to come up with plans to cut another three percent from their budgets for FY 2004-05. The plans are to be submitted in time for the Governor to consider them for inclusion in the May Revise. The reductions are supposedly necessary because of caseload increases in some programs, the costs of court decisions, the Legislature's failure to adopt all of the Governor's mid-year budget reductions, and increasing uncertainty about state revenues. It does not appear as if the May Revise will reflect an improved State budget situation, making the task of adopting a balanced budget, as required by Proposition 58, that much more difficult – which may be why the Governor recently refused to rule out a tax increase.

We will continue to keep you advised.

DEJ:GK
MAL:JR:lm

c: Executive Officer, Board of Supervisors
County Counsel
Local 660
All Department Heads
Legislative Strategist
Coalition of County Unions
California Contract Cities Association
Independent Cities Association
League of California Cities
City Managers Associations